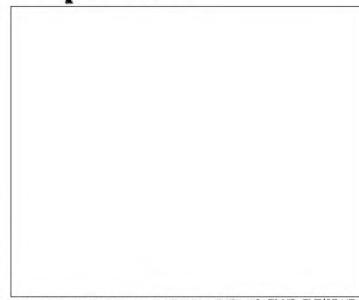




Director of
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Contents

1	UK-Argentina: Clash at South Georgia	1
2	Middle East - Western Europe: Proposed Pipelines	5
4	Israel-Egypt: Withdrawal Procedure	7
5	Southeast Asia: UN Meeting on Refugees	7
7	Chile: Cabinet Changes	8

Special Analyses

8	Egypt: The Next Foreign Policy Objective	9
9	Mozambique: An Embattled Regime	11

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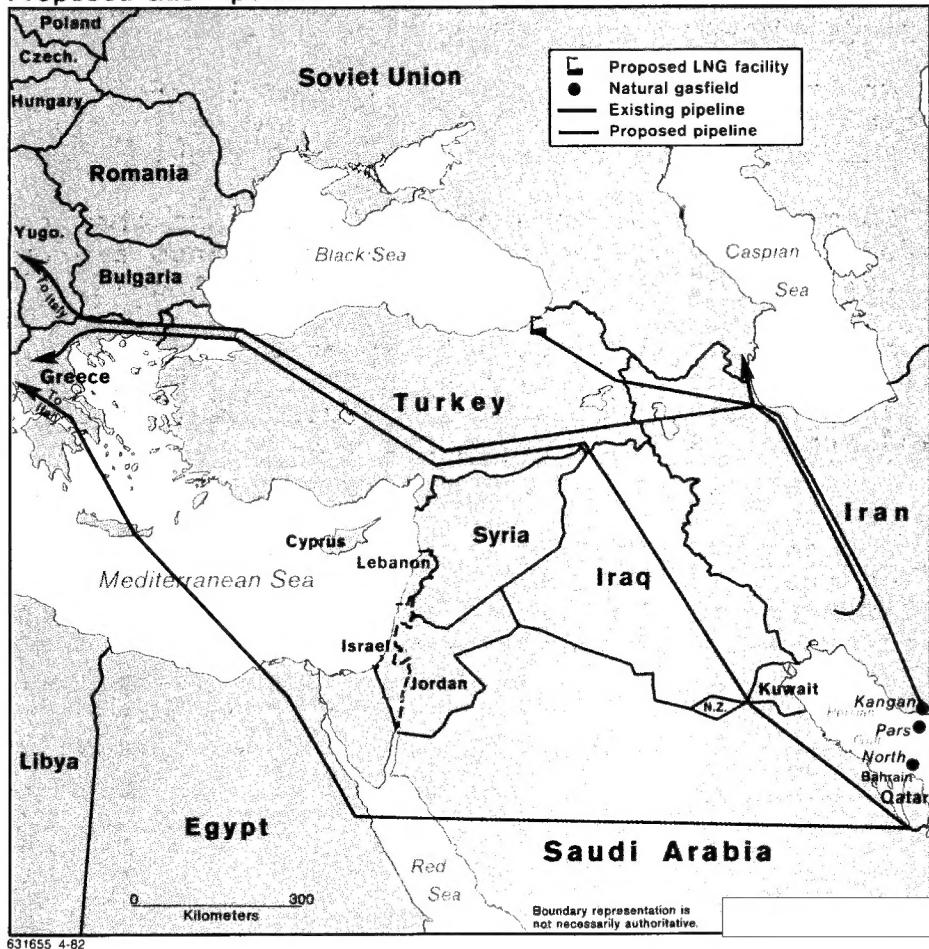
26 April 1982

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Proposed Gas Pipelines from the Persian Gulf



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MIDDLE EAST - WESTERN EUROPE: Proposed Pipelines

The gas pipelines from the Middle East to Western Europe that have been proposed recently probably are not politically or economically practical.

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Pipelines from the Arabian Peninsula to Europe also have been proposed. One alternative would go from Qatar, the United Arab Emirates, and possibly Kuwait through Iraq, Turkey, Greece, and Yugoslavia to European consumers. Another would cross Saudi Arabia into Egypt via the Red Sea and then run north to the Mediterranean and into Greece or Italy. Estimates of the cost of building such long pipelines range from \$30-60 billion.

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Comment: Financial, political, and technical obstacles probably would prevent construction of such pipelines before the early 1990s. The high cost of financing is likely to make any of the schemes unprofitable unless the price of gas increases substantially. Both producers and purchasers would be concerned about the security of any pipeline that crosses several unstable countries.

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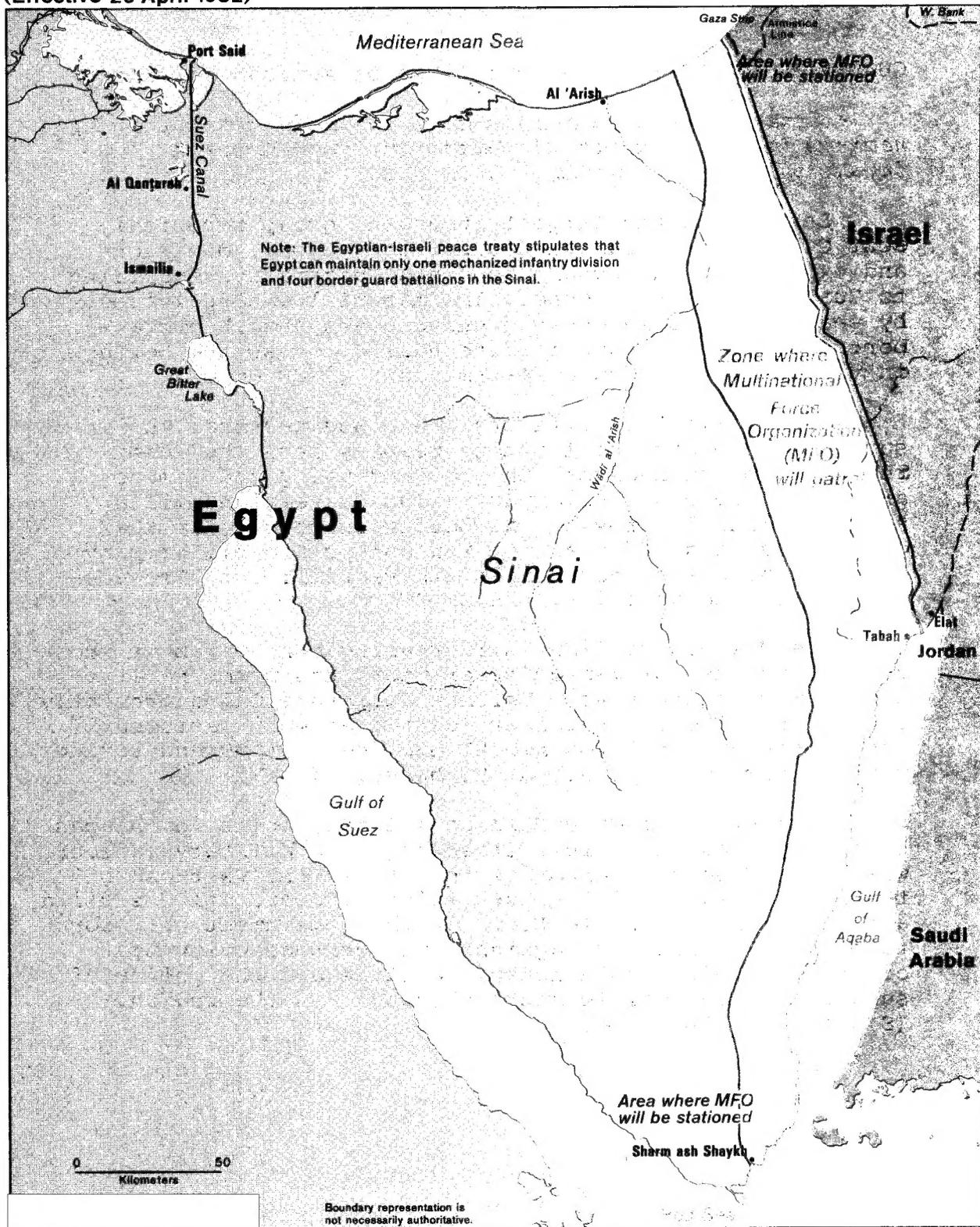
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International Boundary and Multinational Force Dispositions in the Sinai
(Effective 26 April 1982)



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ISRAEL-EGYPT: Withdrawal Procedure

Although Israel has withdrawn from the Sinai, the complex border demarcation issue at Tabah has yet to be resolved. Press reports indicate Israel has turned the disputed area over to the Multinational Force Organization. Both sides have agreed on a negotiating process involving the US. [redacted]

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Comment: Despite the accord to arbitrate the problem, the issue threatens to strain relations between Egypt and Israel and to divert attention from the autonomy negotiations. [redacted]

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SOUTHEAST ASIA: UN Meeting on Refugees

On Thursday the UN High Commissioner for Refugees urged Western resettlement countries to maintain their commitment to the Indochinese refugee problem. The Commissioner seeks increased funding, priority resettlement for Kampuchean refugees in Thailand, acceptance of refugees with disabilities, and guarantees for boat people rescued at sea. No government present at the meeting offered to increase its efforts, and several announced more restrictive resettlement criteria. Western countries increasingly are applying pressure to the UN to pursue repatriation as an alternative to resettlement. [redacted]

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Comment: The UN High Commissioner for Refugees is concerned about the declining interest in the refugee problem among resettlement countries. The rate of Indo-Chinese refugee arrivals has decreased, and many resettlement nations feel they can relax their efforts--several have reduced their acceptance quotas. These countries hope that tightening acceptance criteria will discourage refugees who would leave for economic reasons. At the same time, UN and resettlement country officials want to assure those Southeast Asian countries providing short-term asylum that they will not be left with residual refugee populations. [redacted]

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CHILE: Cabinet Changes

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President Pinochet swore in eight new cabinet ministers last Thursday and announced programs to ease the effects of Chile's recession. Former central bank president de la Cuadra was named to the key Finance Ministry position, and General Montero Marx was appointed Interior Minister. The cabinet shakeup increases the military's presence in the government, and it now controls 10 of the 16 ministries--it previously held eight. Political and labor groups generally have reacted to the cabinet changes with caution, but economic spokesmen believe the new programs demonstrate greater flexibility and a willingness to attack specific problem areas.

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Comment: Pinochet's moves are designed to regain the political initiative and to halt the erosion of confidence in his management of national affairs. Although he reaffirmed the main lines of government policy, the new programs are planned to provide more housing and alleviate unemployment, and they suggest a more flexible approach to socioeconomic problems. It will take time, however, to judge whether his midcourse corrections will ease Chile's problems significantly and restore public confidence.

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Autonomy Issues in Dispute

Issue	Egyptian View	Israeli View
Size and structure of self-governing authority (SGA)	SGA should have 80 to 100 elected representatives who would have legislative as well as administrative powers.	Begin favors no more than 17 members, whose authority would be strictly administrative.
Security issues	<p>SGA should have strong role in internal security, with Israel's role limited.</p> <p>Specified security locations for Israeli military to be small cantonments.</p>	<p>Israel should have full responsibility for internal security.</p> <p>Specified security locations to be large, and Israel could, if it wished, establish new civilian settlements within them.</p>
East Jerusalem voting rights	Arab residents of East Jerusalem should vote for and participate in SGA.	Arab inhabitants of East Jerusalem should not vote for SGA, nor are they eligible to be elected to it.
Settlements	No new settlements and no territorial expansion of existing ones. Jewish settlers should be subject to laws of SGA.	Provision for new settlements and territorial expansion of existing settlements would have to be made. Jewish settlements would remain under Israeli control and not be under the jurisdiction of SGA.
Land rights	Aside from specified security locations and existing Israeli settlements, SGA should have full jurisdiction.	Only privately owned Arab land would be fully free of some measure of Israeli control. Public domain land would be subject to joint control of authority and Israel.
Water rights	Provision must be made to permit Palestinians to redress Israel's currently disproportionate use of West Bank water.	SGA and Israel would jointly allocate water rights. If agreement not reached, status quo prevails.
[Redacted]		

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SPECIAL ANALYSES

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EGYPT: The Next Foreign Policy Objective

Israel's withdrawal from Sinai yesterday marks a fundamental turning point for President Mubarak's foreign policy. His main objective now is to end Egypt's isolation in the Arab world. Mubarak and his advisers are convinced that a return to the moderate Arab camp will help maintain domestic stability, strengthen the country's economy, and enable Egypt to reassume leadership in the region.

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A return to the Arab camp would be popular with almost all Egyptians. Although the Egyptians tend to take a condescending view of their Arab neighbors, they have become frustrated by their country's isolation from the Arab world. Moreover, Egypt's economic problems-- caused mainly by the soft world oil market and declines in tourism, Suez Canal revenues, and worker remittances-- have increased Mubarak's interest in closer ties with the Saudis and other potential Arab sources of aid.

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Growing Distrust of Israel

The longing for better relations with the Arabs coincides with a growing disillusionment with Israel. Many Egyptians believe that Israel has not lived up to the spirit of the Camp David agreements but has sought to humiliate Egypt by annexing Jerusalem and the Golan Heights. Most are persuaded that Israel is only interested in keeping Egypt isolated from the other Arab states in order to enable Tel Aviv to impose its will on the West Bank and Gaza without fear of serious reprisal.

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To facilitate Cairo's rehabilitation in the Arab world, Mubarak is prepared to take a tougher position toward Israel and its policies. If there is no progress

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in the stalled autonomy negotiations this summer, Egypt probably will seek justification for abandoning the talks and will consider other negotiating proposals. [redacted]

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Mubarak also may allow elements of Egypt's normalization of relations with Israel to wither, and he is likely to become more critical of such controversial Israeli actions as the recent airstrikes in Lebanon. The Egyptians, however, will not violate the military provisions of the Egyptian-Israeli peace treaty. [redacted]

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Prospects for Reconciliation

Egypt's reconciliation with its Arab neighbors probably will be gradual. The resistance from radical Arab countries like Syria and Libya will make it difficult to improve relations rapidly. The Saudis and other moderates also will move cautiously in order to avoid appearing to soften their opposition to the Camp David agreements. [redacted]

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The presence of an Israeli Ambassador in Cairo will trouble some Arabs and hinder formal reconciliation. Even the Egyptians favor gradual rapprochement in order to avoid unduly alarming Israel and the US. [redacted]

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A more rapid reconciliation between Egypt and the Arabs would be possible if Israel were to launch a full-scale invasion of Lebanon or take other extremely forceful steps. Mubarak would feel compelled to react strongly. He could withdraw Egypt's Ambassador temporarily, but he would not go to war. [redacted]

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An eventual reconciliation with the moderate Arabs probably is inevitable, and it will have far-reaching consequences for US-Egyptian relations. Egypt would be less receptive to US influence, but at the same time, it would be better able to deal with its critics and to facilitate contacts between Israel and the Arabs. [redacted]

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MOZAMBIQUE: An Embattled Regime

President Machel's uphill battle against the insurgency of the South African - backed National Resistance Movement is aggravating a host of longstanding domestic problems that could lead to major changes in the regime during the next year or two. Pro-Soviet radicals probably will gain greater power, and Machel could even be replaced by them or--over the longer term--by the Movement.

Machel's position seems secure at the moment, but continued insurgent successes are causing heightened frictions at the top levels of the government.

Troubles at Home

The insurgency, meanwhile, is demoralizing the military. The armed forces suffer from poor training and leadership, a lack of working equipment, logistic deficiencies, and a confused command structure that Machel shuffles every few months. Despite repeated counterinsurgency campaigns, the armed forces have failed to prevent the guerrillas from gradually expanding their area of operations.

The guerrillas have moved close to Maputo and Beira in recent months and have overrun several smaller provincial towns.

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Guerrilla actions are having devastating effect on an economy weakened by the departure of most Portuguese technicians and by the costs of backing Robert Mugabe's Zimbabwe African National Union during the civil war in Rhodesia.

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South Africa's Role

The intentions of South Africa are crucial to the future of Machel's government. In supplanting the former white Rhodesian regime two years ago as the National Resistance Movement's primary patron, Pretoria's initial objective was to put pressure on Machel to rein in the African National Congress.

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The South African Government apparently believes that the Machel regime poses the most serious long-term security threat to South Africa, and some military officers probably already advocate using the Movement to topple it. Pretoria is unlikely, however, to try to replace Machel any time soon.

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12

26 April 1982

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Implications for the US

Western interests could be damaged in a variety of ways by a further entrenchment of the Soviets in Maputo. Mozambique probably would move quickly to cut back its recently established links with Western Europe. Talks in recent months between senior Mozambican officials and their Portuguese, Italian, British, and French counterparts indicate that prospects for expansion of these relationships are promising. Machel is planning to visit several West European capitals this summer.

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In addition, Moscow also might succeed in persuading Maputo to become uncooperative in negotiations on Namibia. So far, Machel generally has refrained from playing an obstructive role in the Western-sponsored talks. Over the longer run, moreover, Mozambique would be likely to ease its restrictions on ANC activities, the Soviets probably would expand their support for the South African insurgents in Mozambique, and the ANC might be able to increase its operations into South Africa.

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Faced with a more pro-Soviet government in Maputo, the South Africans would become more intransigent toward all their neighbors. They, too, would become less cooperative in Western initiatives on Namibia.

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The West's regional role would suffer as an increased Soviet and Cuban presence in Mozambique gives the Communists greater leverage over Zambia, Zimbabwe, and Malawi, which use Mozambique's transportation network.

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In addition, the Soviets and their allies might acquire access rights to naval or air facilities in Mozambique. Soviet naval craft now only make occasional port calls. Regular Soviet access to airfields in Mozambique would expand Moscow's reconnaissance capabilities in the Indian Ocean, including surveillance of the approaches to the US installation at Diego Garcia.

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